



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Representative Robert Bibb Second Quarter 2006



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August 1, 2007

Members of the Registry of Election Finance
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Ladies and Gentlemen:

Transmitted herewith are the agreed upon procedures for the un-itemized contribution audit of Representative Robert Bibb's Second Quarter Campaign Financial Disclosure Statement for his 2006 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of Section 2-10, *Tennessee Code Annotated (TCA)*, the Comprehensive Governmental Ethics Reform Act of 2006.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Registry's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Manager

STATE OF TENNESSEE
REGISTRY OF ELECTION FINANCE

Audit Highlights

Robert Bibb

2006 Second Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Representative Robert Bibb's compliance with certain provisions of campaign finance disclosure laws and regulations, compliance with certain provisions of campaign contribution limits laws and regulations, accuracy and completeness of the un-itemized contribution disclosures on his 2006 Second Quarter Campaign Financial Disclosure Statements, and to recommend appropriate actions to correct any deficiencies.

FINDINGS

1. Representative Bibb received one contribution in violation of campaign limits laws. Rep. Bibb received contributions in excess of campaign limits from one contributor, which violated T.C.A. § 2-10-302. The contributions exceeded the campaign finance limit by \$100.

2. Representative Bibb failed to itemize a contribution from an individual who contributed more than \$100 during the reporting period. Rep. Bibb did not itemize one contribution from an individual that contributed \$500 during the second quarter reporting period of April 1, 2006 to June 30, 2006, which violated T.C.A. § 2-10-107(a)(2)(A)(i). The \$500 contribution represented approximately 7% of the un-itemized contributions reported during the second quarter reporting period.

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INTRODUCTION

AUDIT AUTHORITY

In February 2006, the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006,” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *Tennessee Code Annotated* (T.C.A.) §§ 2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign finance disclosure statements filed with the Registry. The audit was initiated based on T.C.A. § 2-10-212(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate’s contributions reported as un-itemized contributions and the un-itemized contributions were greater than \$5,000.

AUDIT PURPOSE

The Registry’s contribution audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee in promoting governmental accountability and integrity.

AUDIT SCOPE

Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. In addition, the audit relates to only disclosure reports that meet the requirements listed in T.C.A. § 2-10-212(i). Therefore, the audit reviewed only Representative Robert Bibb’s disclosures on his 2006 second quarter report.

OVERVIEW OF CAMPAIGN

CAMPAIGN ORGANIZATION

Representative Robert Bibb was a candidate in the November 7, 2006 general election for the House of Representatives for district 66. Rep. Bibb filed an Appointment of Political Treasurer Statement with the Registry on May 17, 2006 appointing Jerry L. Fagg as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2006 first quarter report filed on April 13, 2006. As of June 30, 2007, the candidate's most current financial disclosure report was the 2006 fourth quarter report, which he filed on January 23, 2007. The 2006 fourth quarter report indicated \$22,627.61 in cash on hand, \$0.00 in outstanding obligations, and \$30,000.00 in outstanding loans. The candidate has not completed his 2006 election campaign reporting requirements. The candidate's next report will be due on July 16, 2007 and will cover the period of January 16, 2007 to June 30, 2007.

OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2006 first quarter, 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports after amendments. As noted in the audit scope, we only audited the un-itemized contributions from disclosures for the 2006 second quarter. The amounts displayed are for informational purposes only.

Summary of Financial Activity

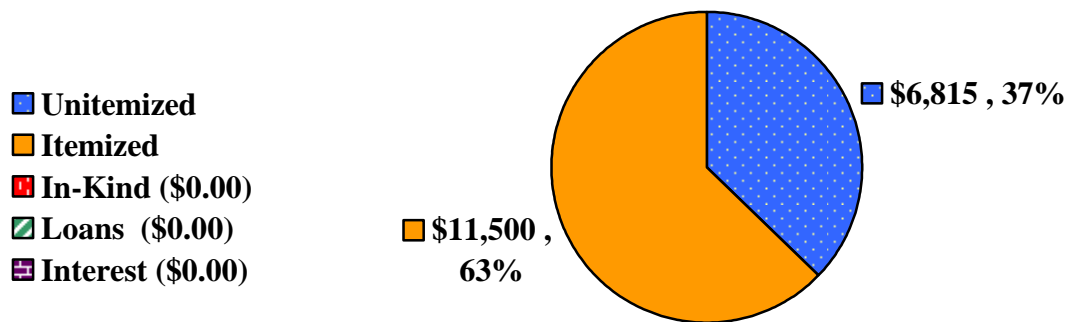
(Un-audited Amounts)

| | | |
|---------------------------------------|-------------|---------------------|
| Cash on hand at April 1, 2006 | | \$0.00 |
| Receipts | | |
| Itemized | \$70,279.81 | |
| Un-itemized | 17,014.00 | |
| Interest | 0.00 | |
| Loans receipted | 35,000.00 | |
| Total receipts | | <u>\$122,293.81</u> |
| Disbursements | | |
| Itemized | \$94,095.95 | |
| Un-itemized | 570.25 | |
| Loans principal payments | 5,000.00 | |
| Total disbursements | | <u>\$99,666.20</u> |
| Cash on hand at January 15, 2007 | | <u>\$22,627.61</u> |
| Loans outstanding at January 15, 2007 | | \$30,000.00 |
| Obligations at January 15, 2007 | | \$0.00 |
| Total in-kind contributions received | | \$15,032.64 |

CHARTS

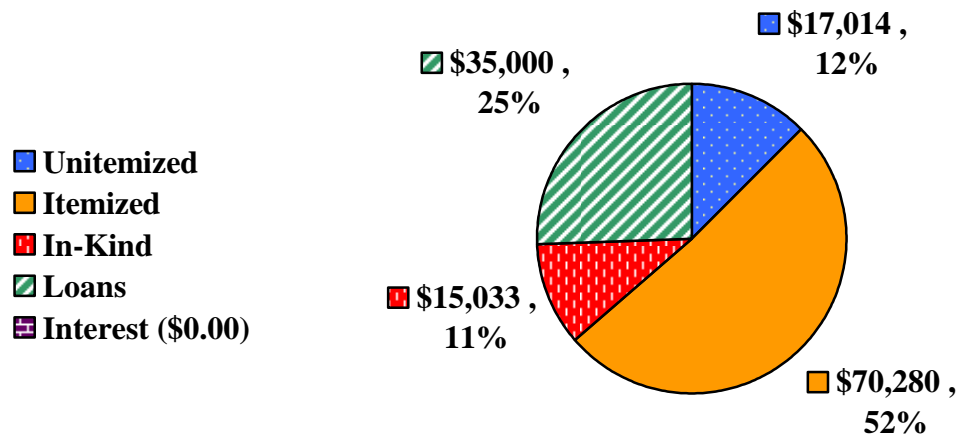
2006 SECOND QUARTER CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2006 second quarter report.



2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

The objectives of our audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all contributions were supported by bank statements and deposit slips.

Audit Methodology:

The Registry obtained Rep. Bibb's 2006 Second Quarter Campaign Financial Disclosure Statement amended on July 7, 2006 to verify that the un-itemized contributions were greater than \$5,000 and 30% of the total contributions reported. We requested Rep. Bibb to provide supporting documentation for the un-itemized contributions of \$6,815.00 that he reported on his 2006 second quarter amended report. Rep. Bibb provided auditors with campaign records for the second quarter, which included his bank statements, deposit slips, deposit receipts, a contribution listing, and monthly campaign activity ledgers. The following steps were performed on Rep. Bibb's campaign documentation:

- The documentation was reviewed to determine if the candidate's un-itemized contributions received from April 1, 2006 thru June 30, 2006 totaled \$6,815.00.
- A list of un-itemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of un-itemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. § 2-10-301, et seq.

- An un-itemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, and all contributions were reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107, and all contributions were reported in compliance with the Registry's rules.

Audit Conclusion:

Rep. Bibb's 2006 Second Quarter Amended on July 7, 2006 Campaign Financial Disclosure Statement reported un-itemized contributions greater than \$5,000 and 30% of the total contributions and thus subject to audit. The campaign records indicated Rep. Bibb received at total of \$6,815.00 in un-itemized contributions from April 1, 2006 to June 30, 2006. The listing of un-itemized contributions prepared from Rep. Bibb's campaign records indicated that he deposited the un-itemized contributions that he received into his campaign account.

The review of Rep. Bibb's contributions indicated that he violated campaign limits laws and campaign disclosure laws. In addition, the review of Rep. Bibb's un-itemized contributions indicated that one contribution disclosed as an un-itemized contribution should have been disclosed as an itemized contribution. The details of these violations are detailed in the findings below.

FINDINGS

1. Representative Bibb received one contribution in violation of campaign limits laws.

One individual's total contributions for the primary and the general election exceeded the campaign finance limit in violation of the T.C.A. § 2-10-302(a) which states, "No person shall make contributions to any candidate with the respect to any election which, in the aggregate, exceed:...(2) For any other state or local public office, one thousand dollars (\$1,000)." Rep. Bibb's campaign records indicated that one individual contributed \$2,100 for the 2006 primary and general elections. As a result, \$100 of the individual's total contributions was in violation of the campaign limits. By not refunding the contribution amount in excess of campaign contribution limits, Rep. Bibb also violated T.C.A. § 2-10-307(b), which states that a candidate has 60 days from the date the candidate receives the contribution to refund the amount back to the contributor.

2. Representative Bibb failed to itemize a contribution from an individual who contributed more than \$100 during the reporting period.

Rep. Bibb did not itemize (was included in un-itemized contributions) on his 2006 Second Quarter Campaign Financial Disclosure Statement amended on July 7, 2006 a \$500 contribution received from one individual. T.C.A. § 2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of the contribution. The contribution represented approximately 7% of the un-itemized contributions reported on Rep. Bibb's 2006 second quarter report.

RECOMMENDATION TO CANDIDATE

Rep. Bibb should review total contributions from each contributor and refund any contributions in excess of campaign contribution limits. Rep. Bibb should amend the applicable financial disclosure statement for changes based on his review of contributions and refunds paid. In addition, Rep. Bibb should amend his 2006 Second Quarter Amended on July 7, 2007 Campaign Financial Disclosure Statement to ensure that he reported all individuals that contributed more than \$100 during the reporting period as itemized. Rep. Bibb should ensure the campaign adopts and maintains a record-keeping system to determine the aggregate amount of contributions received per election from each contributor.

RECOMMENDATION TO REGISTRY

We recommend the Members of the Registry consider the findings for possible further action. We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry's web site notwithstanding whether a significant penalty is assessed, as outlined in T.C.A. § 2-10-212(f). The report and related finding will assist current and future candidates in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

RESOLUTIONS

CANDIDATE'S CORRECTIVE ACTIONS TAKEN

After discussing the above findings with Rep. Bibb, he chose to take corrective action on his reports prior to the Registry's approval of the audit. Rep. Bibb amended his 2006 Second Quarter Campaign Financial Disclosure Statement on July 2, 2007 and his 2006 Third Quarter Campaign Financial Disclosure Statement on July 3, 2007.

Correction Action Finding 1:

On his amended third quarter report, Rep. Bibb reallocated the \$2,000 contribution between the husband and wife. The reallocation attributed \$1,000 to the husband for the primary election and \$1,000 to the wife for the general election. This reduced the husband's contribution below the \$1,000 contribution limit. Rep. Bibb stated that he should have originally split the \$2,000 contribution received in the third quarter reporting period between the husband and wife. Rep. Bibb provided auditors with supporting documentation indicating that the contribution was made by the husband and wife.

Correction Action Finding 2:

On his amended second quarter report, Rep. Bibb changed the \$500 contribution from an un-itemized contribution to an itemized contribution. In addition, Rep. Bibb provided the auditors with supporting documentation to verify the contributor.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2006 contribution audit of Robert Bibb during the August 8, 2007 regular monthly meeting. The report contained two finding with recommendations for corrective actions. The Registry voted to approve the audit report and to issue a show cause notice for receiving contributions in excess of campaign contributions from one contributor. Subsequent actions by the Registry related to the show cause notice will appear in the subsequent board minutes.